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Two-way merchandise trade, exceeding A$1 billion in recent years, has recorded only a modest growth trend through the 1980s, largely attributable to growth in Australia's exports to Indonesia.

The composition of trade remains relatively narrowly based and to a large extent oriented towards primary products in both directions (wheat, zinc, cotton and coal in Australia's exports to Indonesia, and oil and coffee in Indonesia's exports to Australia).

However, there are signs that this is starting to change. Indonesia may soon develop into a major source for Australia of imported labour intensive manufactures and Australia is likely to continue developing opportunities in the export of manufactures and services related to the provision of economic infrastructure, including in the telecommunications, civil engineering and construction areas.

Services trade also has the potential to grow at healthy rates. While tourism continues to dominate services trade in both directions, Australian exports to Indonesia of education, legal, consultancy and health services have the potential to rise.

Investment in both directions has been small. However, more recently Australian investment in Indonesia has been playing a crucial role in the development of Indonesia's mining industry, most notably in gold and coal mining. Australia's trade with Indonesia could be considerably enhanced by more Australian companies entering into joint ventures with Indonesian partners. This would expand the scope for Australian sourcing of Indonesia's growing needs for technology, inputs and managerial and technical expertise.

The full impact of the Indonesia's economic recovery on Australia's trade and investment links with Indonesia is yet to be felt. Australian companies can ill afford to let the important trade and investment opportunities now emerging in our near northern neighbour pass them by.

The Trade Strategy Branch of the Department of Foreign Affairs and Trade is producing a Trade and Commercial Development Program for Australia in Indonesia which will be available for release by the end of March 1990.

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Australia rejects Portuguese criticism of Timor Gap Treaty

The Timor Gap Zone of Cooperation Treaty between Australia and Indonesia, which establishes a provisional regime for joint development of petroleum resources in an area of overlapping maritime jurisdiction in the Timor Sea, represents a creative solution to a diplomatic impasse on resolution of a boundary dispute between neighbouring countries.

It is an imaginative approach to breaking the deadlock in delimitation negotiations first begun between Australia and Indonesia in 1979 after it became clear that the two countries held very different views of the applicable rules of international law.

However, while removing a potential source of bilateral and regional friction, Australia's signing of the Treaty has been criticised by the Portuguese Government as "violating the legitimate right of the people of Timor to self-determination and their sovereign right to their resources", as well as disregarding Portugal's status in the matter.

According to Portugal, the Treaty constitutes "a clear and flagrant violation of international law and the United Nations Charter, especially since numerous resolutions adopted by the General Assembly and the Security Council do not recognise Indonesia's sovereign power over East Timor, which was militarily and illegally occupied in December 1975".

Australia rejects absolutely the Portuguese claims that its actions are inconsistent with established international law. Indeed, Senator Gareth Evans has stated publicly that should Portugal seek to initiate any action in any forum, Australia would defend its position with vigour and determination.

There is no binding legal obligation not to recognise the acquisition of territory acquired by force. Moreover, even if the acquisition is recognised, it does not signify approval of the circumstances of acquisition.

The statement in Parliament by the Prime Minister in August 1985, which set out the Australian Government's position on the issue, made it clear that although Australia's de jure recognition of Indonesian sovereignty over East Timor had taken effect in 1979, Australia did not condone the manner in which the province was incorporated.

Furthermore, conclusion of the Timor Gap Zone of Cooperation Treaty does not, as a matter of international law, signify Australia's approval of Indonesia's original acquisition of the territory of East Timor.

In international law the legality of the original acquisition of territory has to be distinguished in subsequent dealings between the state acquiring that new territory and other states.

The East Timor issue is a matter quite separate from the Timor Gap Zone of Cooperation Treaty, which concerns maritime jurisdiction and petroleum resources of neighbours and is of no concern to Portugual on the other side of the world.

Australia has consistently supported discussions between Portugal and Indonesia under the auspices of the UN Secretary-General to resolve the lingering East Timor issue between those two countries.

It should be noted that the Treaty is provisional in nature and does not delimit a final seabed boundary. Australia continues to assert its sovereign rights over the seabed extending to the northern boundary of the Zone of Cooperation created by the Treaty (that is, to the geomorphological edge of the natural prolongation of Australia's continental shelf marked by the Timor Trough).

The Treaty itself contains provisions to the effect that it will not prejudice the position of either Australia or Indonesia in respect of permanent delimitation of the continental shelf in the Zone of Cooperation. Therefore, Australia does not concede that any sovereign rights over seabed resources that appertain to the land mass of East Timor in fact extend into the Zone of Cooperation.

The assertion that the people of East Timor have permanent sovereign rights over the seabed resources in the Zone of Cooperation is not accepted by Australia. Consistent with this position is the fact that Australia had never conceded, prior to 1975, any Portuguese interest in the area of seabed forming part of the Zone of Cooperation.

Australia supports the universal observance of internationally accepted standards of human rights and regularly raises human rights issues in a wide range of countries, including Indonesia. In this regard, the Government maintains a close interest in developments in East Timor and has, over the years, continued to raise questions of human rights in the Province, and

to seek free access to the Province for the media, international organisations and aid workers.

As a practical matter, Australia's de jure recognition of Indonesia's acquisition of East Timor has enabled Australia to pursue its concerns for the human rights and economic development of the people of East Timor in a constructive and effective manner with the Indonesian authorities.

Senator Evans raised human rights issues with the Indonesian Foreign Minister, Mr Alatas, when he visited Australia in March 1989 and again in their meeting on 10-11 December 1989.

Australia's active support for the rights of the people of East Timor is well documented. The Government has assisted a United Nations Children Fund (UNICEF) project in East Timor since its inception in 1982, with the total contribution to the project now being $3.24 million.

Australia has also contributed $1.8 million over the last six years to the International Committee of the Red Cross (ICRC) for its activities in East Timor.

More recently, the Australian Ambassador to Indonesia took the opportunity during his visit to East Timor from 23-27 October 1989 to announce the first Australian bilateral aid grant to the Province.

It is a grant of $100,000 which will be used for an initial one year project to demonstrate better farming techniques throughout the Province and to encourage farmers to accept technology appropriate to their needs.

The conclusion of the Treaty in no way impedes Australia's efforts on behalf of the East Timorese. Indeed, it is hoped that closer relations with Indonesia flowing from the negotiations will provide Australia with a more influential position from which to help the people of East Timor.

Agreement on Trade and Economic Cooperation with Vietnam

In Hanoi on 1 February 1990, delegations from Australia and the Socialist Republic of Vietnam initialled the text of an Agreement on Trade and Economic Cooperation between the two countries to be signed by appropriate representatives of each government at a mutually convenient time.

The Agreement overtakes the 1974 Trade Agreement between Australia and Vietnam and provides a broad framework for increasing the involvement of enterprises and organisations in both countries in bilateral economic, commercial, scientific and industrial cooperation.

The Agreement will also provide for the identification of specific commercial and investment opportunities in both countries and will encourage cooperation in mutually beneficial areas of interest.

Cooperation in banking and finance will also be encouraged.

Australia's policy of developing a broad based relationship with Vietnam, particularly the bilateral trade relationship, agreed when the former Foreign Minister, Mr Hayden, met with Vietnam's Foreign Minister, Mr Nguyen Co Thach, in March 1984, is reflected in the Agreement.

Bilateral trade in 1983-84 had totalled $4.9 million, small when compared to the level of trade Australia enjoyed with other countries of the South-East Asia but, with the encouragement of both governments has expanded to reach $43.3 million in 1988-89.

Vietnam's rich resources, particularly in the mining and agriculture sectors, together with a program of economic reform have attracted the attention of Australia's commercial sectors to the economic potential of the country.

Exchanges of trade delegations since 1984 have also served to highlight the potential, both in Australia and Vietnam of the scope for economic cooperation.

Annexes

Portfolio-related statements, news releases and major speeches listed below will be available in the February issue of the Department of Foreign Affairs and Trade publication, *The Monthly Record*.

News releases

Minister for Foreign Affairs and Trade

6.2.90 Cyclone Ofa
6.2.90 Australia - Indonesia Senior OfficialsTalks
6.2.90 Attack on Israeli tourist bus
7.2.90 The end of an era: change in Eastern Europe
7.2.90 Concern about Australians on Bougainville
8.2.90 Second emergency airlift to Western Samoa
9.2.90 Use of Australian supplied helicopter on Bougainville
10.2.90 Australia steps up cyclone relief effort
11.2.90 Release of Nelson Mendela
15.2.90 Australia-USSR Agreements on Fisheries Cooperation and long term commodities arrangements
15.2.90 Australia-USSR agreement on peaceful uses of nuclear energy
15.2.90 Human contacts and consular agreements with the Soviet Union

Minister for Trade Negotiations

4.2.90 Talks in Europe

Departmental

7.2.90 Travel in the South Pacific
16.2.90 Travel in the South Pacific

Overseas visitors

Country Federal Republic of Germany
Visitors Dr and Mrs Haussmann, Minister for Economics
Itinerary 21.2.90 - 27.2.90: Melbourne, Canberra, Sydney

Country France
Visitor Captain Jacques-Yves Cousteau
Itinerary 20.2.90 - 26.2.90: Canberra, Sydney, Melbourne, Hobart

Country Indonesia
Visitor Mr Hasrul Harahap, Minister for Forestry
Itinerary February 90: TBA

Country Fiji
Visitor Mr Navi Naisoro, Permanent Secretary, Ministry of Trade and Commerce
Itinerary 5.3.90 - 17.3.90: Sydney, Canberra, Adelaide, Perth